

Message Text

UNCLASSIFIED

PAGE 01 TOKYO 07276 251052Z
ACTION TRSE-00

INFO OCT-01 EA-12 ISO-00 EB-08 XMB-04 COME-00 AID-05
CIAE-00 FRB-01 INR-10 NSAE-00 ICA-20 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 /075 W
-----047745 251100Z /11
R 241034Z APR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 7343

UNCLAS TOKYO 07276

E.O. 11652: NA
TAGS: ETRD, EGEN, EFIN, EAID, JA
SUBJECT: MIXED CREDITS AND TIED AID

REF: STATE 75697

1. SUMMARY. JAPAN PROVIDES OCCASIONAL MIXED CREDITS AND SOME TIED LOANS WITH A GRANT ELEMENT OF LESS THAN 25 PCT. THE JAPANESE GOVERNMENT APPARENTLY DOES NOT PLAN TO CHANGE THIS PATTERN RADICALLY. END SUMMARY.

2. REGRET DELAY IN ANSWERING REFTEL.

3. JAPANESE GOVERNMENT SOURCES REPORT MIXED CREDITS CUSTOMARILY ARE EXTENDED WHEN A MAJOR LDC PROJECT, TO WHICH THE JAPANESE GOVERNMENT WISHES TO OFFER CONCESSIONAL FINANCING, HAS SIZABLE INFRASTRUCTURE COMPONENT AND REQUIRES MORE SUPPORT THAN JAPAN'S CONCESSIONAL LOAN AGENCY, THE OVERSEAS ECONOMIC CO-OPERATION FUND (OECF) CAN PROVIDE ALONE. IN SUCH CASES OECF, WHICH ORDINARILY WILL NOT PARTICIPATE IN PROJECTS FINANCED BY THE JAPAN EXPORT-IMPORT BANK, MAY ON AN EXCEPTIONAL BASIS PROVIDE A CONCESSIONAL LOAN FOR INFRASTRUCTURE ONLY. LIMITATIONS ON OECF FUNDS
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TOKYO 07276 251052Z

WOULD PERMIT IN ANY CASE NO MORE THAN OCCASIONAL USE OF THIS FINANCING TECHNIQUE.

4. IN 1976 TWO CREDITS, DESCRIBED BY JAPANESE FOREIGN MINISTRY SOURCES AS MIXED, WERE EXTENDED BY THE JAPANESE GOVERNMENT-ONE TO IRAN FOR THE BANDARSHAPUL OIL REFINERY (28.8 BILLION YEN FROM OECF AT 4 PCT OVER TWENTY YEARS

INCLUDING FIVE YEARS' GRACE AND 36.2 BILLION SUPPLIERS' CREDIT FROM EXIM AT 6.7 PCT OVER ELEVEN YEARS INCLUDING FIVE YEARS' GRACE) AND ONE TO INDONESIA FOR THE ASAHAN ALUMINUM AND ALUMINA PROCESSING PLANT (26.25 BILLION YEN FROM OECF AT 3.5 PCT OVER 30 YEARS WITH EIGHT YEARS' GRACE FOR DAM TO SUPPLY ELECTRICITY TO PROJECT, AND 23.65 BILLION YEN ON TERMS NOT YET REVEALED FROM EXIM BANK TO JAPANESE CORPORATION PARTICIPATING IN PROJECT). IN 1977 ONE CASE OF MIXED CREDIT FINANCING OCCURRED, FOR HARTHA THERMAL POWER STATION IN IRAQ: OECF PROVIDED LOAN OF 14.54 BILLION YEN AT 4 PCT INTEREST AND EXIM AND COMMERCIAL BANKS JOINED TO PROVIDE 43.6 BILLION YEN LOAN AT 6.3 PCT INTEREST OVER 10 YEARS INCLUDING 2 YEARS' GRACE.

5. JAPANESE CURRENTLY ARE GIVING FAVORABLE CONSIDERATION TO EXTENDING MIXED CREDIT FOR DEVELOPMENT CAUCA RIVER VALLEY IN COLOMBIA. LOANS WOULD COME BOTH FROM OECF AND FROM EXIM BANK, WHICH LATTER WOULD EXTEND BUYERS' CREDIT TO CAUCA VALLEY CORPORATION, A COLOMBIAN ENTITY.

6. WE UNDERSTAND THAT JAPANESE PLAN TO CONTINUE OCCASIONAL MIXED CREDITS OF TYPE ILLUSTRATED ABOVE.

7. THE DEFINITION OF "TIED AID CREDITS WHICH DO NOT QUALIFY AS ODA" IS UNCLEAR TO US. ALL OECF LOANS SINCE UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TOKYO 07276 251052Z

THE BEGINNING OF 1976 HAVE HAD A GRANT ELEMENT OF 25 PCT OR MORE, AND THEREFORE OUR UNDERSTANDING IS THAT THEY ARE ODA. EXIM HANDLES CONCESSIONAL LOANS WITH LESS THAN 25 PCT GRANT ELEMENT, BUT WE HAVE BEEN UNABLE ON FIRST ENQUIRY TO OBTAIN SPECIFIC INFORMATION REGARDING CONCESSIONALITY IN EXIM LENDING TERMS. IF DEPT WISHES US TO PURSUE THIS ISSUE, PLEASE PROVIDE FULL DEFINITION FOR TIED AID CREDITS WHICH INDICATES WHETHER CONCESSIONAL EXIM CREDITS ARE INCLUDED, AND WHAT THE CRITERIA ARE FOR DRAWING THE LINE BETWEEN COMMERCIAL AND CONCESSIONAL TERMS. MANSFIELD

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CREDIT, FOREIGN ASSISTANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 24 apr 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TOKYO07276
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780176-0222
Format: TEL
From: TOKYO
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780422/aaaaasrk.tel
Line Count: 105
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4b1e49a8-c288-dd11-92da-001cc4696bcc
Office: ACTION TRSE
Original Classification: UNCLASSIFIED
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: ONLY
Reference: 78 STATE 75697
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2865736
Secure: OPEN
Status: NATIVE
Subject: MIXED CREDITS AND TIED AID
TAGS: ETRD, EGEN, EFIN, EAID, JA
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/4b1e49a8-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014